

ARGUMENT

The Commission has evinced a strong presumption in favor of open access to adjudicative proceedings. *In re Polypore Int'l, Inc.*, No. 9327, 2009 FTC LEXIS 256, at **3-4 (April 27, 2009); *see also In re H.P. Hood & Sons, Inc.*, 58 F.T.C. 1184, 1186 (1961) (“To foreclose [FTC] hearings and the evidence adduced therein from the scrutiny of . . . interested persons would serve in large measure to defeat the very reason for our existence.”). Open proceedings allow the public to evaluate the “fairness of the Commission’s work,” and they “provide[] guidance to persons affected by [the Commission’s] actions.” *In re Intel Corp.*, No. 9288, 1999 FTC LEXIS 227, at **1-2 (Feb. 23, 1999) (citations omitted). Neither the potential for embarrassment nor the desire to protect business information that competitors may be “desirous to possess” is a sufficient basis for hiding relevant evidence from the public. *See Hood*, 58 F.T.C. at 1189. Rather, “requests for *in camera* treatment must show that the public disclosure of the documentary evidence will result in a *clearly defined, serious injury* to the person or corporation whose records are involved.” *In re Kaiser Aluminum & Chem. Corp.*, 103 F.T.C. 500, 1984 FTC LEXIS 60, at *1 (1984) (emphasis added); *see also* 16 C.F.R. § 3.45(b) (1983). The burden of demonstrating good cause for screening documents and testimony from public view rests solely with the party seeking *in camera* treatment. *Hood*, 58 F.T.C. at 1188. Respondents’ Motion simply fails to meet that burden.

I. Respondents’ Motion Far Exceeds the Scope of Protections Provided by Rule 3.45(b)

Respondents seek *in camera* treatment for more than 1,000 of the approximately 2,900 exhibits submitted by the parties for use at the upcoming trial in this matter. Respondents thus

seek protection for more than a third of the total exhibits that the parties propose to use at trial.¹ Yet, Respondents offer only a cursory explanation of the purportedly confidential nature of these materials, simply rehashing the six-factor test set forth in *In re Bristol-Myers Co.*, 90 F.T.C. 455, 456-57 (1977), for the entire set of 1,000-plus exhibits. (Respondents’ Motion for *In Camera* Treatment of Trial Exhibits (“Respondents’ Motion”) at 3-4; *see also* Sehring Decl. ¶ 4; Seybold Decl. ¶ 4.)

While trade secrets, such as “secret formulas, research or processes” may require *in camera* protection, many confidential business records do not. *Hood*, 58 F.T.C. at 1188-89. “Requests to seal relevant evidence [such as confidential business records] should be looked upon with disfavor and only granted in *exceptional circumstances* upon a *clear showing* that irreparable injury will result from disclosure.” *Id.* at 1189 (emphasis added). Aside from their confidential contracts and negotiations with health plans, Respondents neither articulate any exceptional circumstances surrounding the disclosure of these exhibits nor adequately explain how these exhibits could be used by competitors or others to cause injury.

Although Complaint Counsel agrees that *in camera* treatment of Respondents’ contracts and negotiations with commercial health plans is appropriate, Respondents’ remaining four categories – business records, deposition testimony, defense strategy, and financial records – are vastly overbroad.² Indeed, Respondents seek protection for numerous documents and testimony

¹ Thus far, Complaint Counsel has submitted 1,484 exhibits, and Respondents have submitted 1,414 exhibits. Of those 2,898 exhibits on the parties’ exhibit lists, a substantial number appear to overlap, meaning that the 1,000-plus unique exhibits for which Respondents seek *in camera* treatment likely constitute well over one-third of the total distinct exhibits that the parties may offer for use at trial.

² While offering an immense volume of proposed *in camera* exhibits, Respondents fail to specify pages or sections in the documents on their list that contain purportedly confidential information, making it impracticable and unduly burdensome for Complaint Counsel (or the Court) to identify each and every

excerpts that contain little to no confidential information, let alone the kind of information that warrants *in camera* treatment. For example, many of Respondents' 600 "business records" appear to contain no competitively sensitive information. And their additional 80 or more "financial records" often contain historical financial data that are either the type of information routinely reported by publicly traded corporations or that have already been made public, and thus cannot cause competitive harm. By way of illustration, a nonexhaustive review of Respondents' list reveals exhibits that:

- Were publicly quoted and described in the related federal court proceeding. (*See, e.g.*, PX0001/PX0034;³ PX0041; PX0318.)
- Contain no discernible information that would be relevant to competitors but that Respondents may consider embarrassing. (*See, e.g.*, DX0925/PX0190; PX0313; PX0388; PX0447; PX3030.)
- Are more than three years old (despite the presumption favoring disclosure of such documents). (*See, e.g.*, DX0026; DX0038; DX0050; DX0083; DX0154; DX0172; DX0547; DX0548.)
- Relate to Respondents' financial performance, an issue that has been discussed extensively in public and in the media, particularly by Respondents, and that includes information posted on Respondents' own websites. (*See, e.g.*, DX0053; DX0397; DX1108; PX0039; PX4651.)⁴
- Reflect testimony that is innocuous or otherwise not confidential. (*See, e.g.*, DX0186/PX0220 (Ruggles IH Tr. 44:23-47:22); DX0187/PX0219 (Pagan IH Tr. 18:24-19:12); DX0709/PX4023 (McGrew Dep. Tr. 56:9-59:7); DX0710/PX4046

competitively sensitive aspect of those documents. Complaint Counsel therefore provides illustrative examples and requests that Respondents' Motion be denied as to all documents except those in the categories "MCO Negotiations" or "Contracts with MCOs," which amount to approximately 194 documents appearing to fall within the scope of Rule 3.45(b).

³ PX0001 and PX0034 are the same document – *i.e.*, the FTI Merger Report that was the subject of this Court's March 8, 2012 Order on Complaint Counsel's Motion to Compel FTI Consulting, Inc. to Produce Documents Requested by Subpoena *Duces Tecum* and to Enforce Subpoenas *Ad Testificandum*.

⁴ *See also* Ex. A at 14 (2011 Annual Report of OSF), *available at* <http://www.osfhealthcare.org/report/pdf/2011-OSF-HealthCare-Annual-Report-Full.pdf>; Ex. B at 38-39 (2010 Annual Report of RHS), *available at* <http://www.rhsnet.org/downloads/Annual%20report%202010.pdf>.

(Noether Dep. Tr. 5:25-6:18); DX1178/PX4075 (Ruggles Dep. Tr. 4:3-5:7); DX1187/PX4079 (Wright Dep. Tr. 40:22-41:21).)

- Relate to issues of little (if any) current competitive significance, such as RHS's consideration of other potential affiliation partners in 2008 and 2009 and years-old meeting minutes. (*See, e.g.*, DX0048; DX0095/PX0175; DX1096; DX1097; PX0174; PX0718; PX3546.)
- Are letters and e-mails between Complaint Counsel and Respondents containing no competitively sensitive information. (*See, e.g.*, PX0572; PX0573; PX0658; PX0681; PX3048.)⁵

II. Respondents Fail to Narrowly Tailor Their Request for *In Camera* Treatment

Further, even if one assumes counterfactually that every document on Respondents' list contains *some* confidential information requiring protection, Respondents' Motion is not "narrowly tailored to request *in camera* treatment for only that information that is sufficiently secret and material." *Polypore Int'l*, 2009 FTC LEXIS 256, at *4. In every instance, Respondents seek *in camera* treatment for entire documents without specifying pages or portions that contain purportedly confidential information.⁶ Respondents provide no justification for blanket *in camera* treatment of every single document on their immense list. Respondents' overbroad request to withhold documentary evidence from the public – without any attempt to identify and redact legitimately competitively sensitive information – should be rejected.

CONCLUSION

If approved, Respondents' expansive proposed list of exhibits for *in camera* treatment would shield a significant volume of relevant, non-confidential evidence from the public.

⁵ Given the large volume of exhibits on Respondents' *in camera* list, Complaint Counsel has not included copies of those exhibits with this filing. For the Court's convenience, however, Complaint Counsel is prepared to submit paper or electronic copies of any exhibits the Court would like to review.

⁶ In contrast, Respondents identify in Table 2 of their Motion excerpts from prior testimony that they assert should be accorded *in camera* treatment.

Without this information in the public record, the matter's ultimate resolution would be less useful as a guide to practitioners and the business community or as a deterrent for potential violators of the antitrust laws. Moreover, the need for open proceedings is particularly important here, in light of the tremendous interest in antitrust enforcement in the healthcare sector as the industry responds to healthcare reform.

For these reasons, Complaint Counsel respectfully requests that the Court deny Respondent's Motion for *In Camera* Treatment of Trial Exhibits, except as to documents labeled "MCO Negotiations" or "Contracts with MCOs."

Dated: March 27, 2012

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on March 27, 2012, I filed the foregoing documents electronically using the FTC's E-Filing System, which will send notification of such filing to:

Donald S. Clark
Office of the Secretary
Federal Trade Commission
600 Pennsylvania Avenue, NW, H-135
Washington, DC 20580

I also certify that on March 27, 2012, I served *via* electronic mail a copy of the foregoing with:

The Honorable D. Michael Chappell
Chief Administrative Law Judge
Federal Trade Commission
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I further certify that on March 27, 2012, I served *via* electronic mail a copy of the foregoing with the following counsel:

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UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
OFFICE OF ADMINISTRATIVE LAW JUDGES

In the Matter of)	
)	
OSF Healthcare System,)	
a corporation, and)	Docket No. 9349
)	
Rockford Health System,)	
a corporation,)	
Respondents.)	
_____)	

[PROPOSED] ORDER

Upon consideration of Complaint Counsel’s Opposition to Respondents’ Motion for *In Camera* Treatment of Trial Exhibits, it is hereby ORDERED that Respondents’ Motion for *In Camera* Treatment of Trial Exhibits is GRANTED in part and DENIED in part.

In camera treatment is granted for three years to each of the exhibits categorized by Respondents as “MCO Negotiations” and “Contracts with MCOs” in Table 1 of Respondents’ Motion for *In Camera* Treatment of Trial Exhibits. *In camera* treatment is denied as to each of the remaining exhibits listed in Table 1 of Respondents’ Motion for *In Camera* Treatment of Trial Exhibits.

ORDERED: _____
D. Michael Chappell
Chief Administrative Law Judge

Dated:

EXHIBIT A



MISSION

IN THE SPIRIT OF CHRIST AND THE EXAMPLE OF FRANCIS OF ASSISI, THE MISSION OF OSF HEALTHCARE IS TO SERVE PERSONS WITH THE GREATEST CARE AND LOVE IN A COMMUNITY THAT CELEBRATES THE GIFT OF LIFE.

VALUES OF OSF

JUSTICE: Personal worth and dignity of every person we serve regardless of race, color, religion and ability to pay.

COMPASSION: Caring response to the physical, emotional, and spiritual needs of the people we serve.

INTEGRITY: Decision-making based on Catholic ethical principles and Catholic social teachings in every activity of the system.

TEAMWORK: Collaboration with each other, with physicians, and with other providers to deliver comprehensive, integrated and quality health care.

EMPLOYEE WELL-BEING: Concern for the physical, spiritual, emotional and economical well-being of employees.

SUPPORTIVE WORK ENVIRONMENT: Quality work environments which focus on comprehensive, integrated quality service and opportunities for employee growth.

TRUST: Open and honest communication to foster trust relationships among ourselves and with those we serve.

STEWARDSHIP: Responsible stewardship of the financial, human and technological resources of the system.

LEADERSHIP: Leadership in the health field and in the communities we serve.

Chairperson's Message	1
Transformational Connections	2
OSF myHealth	4
Epic	6
Heart Failure Disease Management Program	8
Connected Caregivers	10
System Highlights	18
OSF HealthCare Board Listing	22
OSF HealthCare Financial Overview	24

DEAR FRIENDS OF OSF HEALTHCARE

The theme of our 2011 Annual Report, CONNECTIONS, is so appropriate as we share with you how we have improved the lives of those we serve this year. Our connections, through people, processes and technology, tell a story of collaboration across OSF HealthCare.

Collaboration within our Community of Caregivers is what enables us to achieve higher levels of service. Collaboration enables us to find common ground on which to build our future. Collaboration enables us to bring together our individual talents and insights and to serve with one mind and one heart. Our people, our processes and our technology all contribute to our ability to serve effectively and with great compassion; their connection fuels our collaboration.

As our year concludes and we look to the future, we do so with a new Vision for OSF HealthCare: Embracing God's great gift of life, we are One OSF Ministry transforming health care to improve the lives of those we serve. This is not new work, but rather great strides forward on our journey to provide "the greatest care and love" for all persons we serve, every time we touch their lives.

Our Mission is the solid ground upon which we stand. It makes the everydayness of our work special and sacred. Our OSF Vision defines the future state to which we must aspire in order to remain faithful to our Mission, what God asks of us. Our OSF Values guide our behavior as we align our system goals and strategies. And at the center of it all is our recognition of the sacredness of all human life and the love and respect we have for each other and all those we have the privilege to serve.

As you read this report, I hope that you will see the connections between our people and their passion to serve, the processes we are using to improve care for all we serve, the technology that links our efforts, and the loving spirit of God who sustains us and makes all things possible.

Pax et Bonum,

Sister Judith Ann, O.S.F.

Sister Judith Ann, O.S.F.
Chairperson, OSF HealthCare

OUR VISION

EMBRACING
GOD'S GREAT
GIFT OF LIFE,
WE ARE
ONE OSF
MINISTRY
TRANSFORMING
HEALTH CARE
TO IMPROVE
THE LIVES OF
THOSE WE SERVE

The transformation has begun. It involves dramatic changes in the way patient expectations are met and medical outcomes meet and exceed national standards. This is the OSF HealthCare story and it is about connections. Revolutionary connections. Transformational connections.

In this annual report we'll see how OSF HealthCare is transforming care through an impressive network of connections that center on our patients. When connectivity is a focus, the lines of communication and interactions of multiple disciplines form a seamless pattern of care and service.

This connectivity is the key to understanding the OSF HealthCare Vision. It is a Vision where teams of diverse professionals focus on the complex needs of patients. It is a Vision that has led to a significant transformation in how care is delivered.

Admittedly it is all too easy to use such superlatives to describe the accomplishments of an organization. Specific examples are demanded for illustration. This report will give exactly that.

We'll look at a new integrated system of software that offers our staff the tools to support all functions relating to patient care. That system is called Epic, a name that superbly summarizes the impact it has had on how care is delivered, safety is improved and speed of diagnosis and treatment is increased.

We'll give a detailed account of an innovative project called OSF myHealth, which affords each patient the opportunity to electronically connect with his or her physician and monitor family medical records.

We'll check on a project that promises dramatic and positive changes in how those suffering from heart failure can have their conditions medically managed by connecting with home care and outpatient services.

And we'll take a fast trip through our OSF HealthCare family of facilities and medical groups to learn how they have found opportunities to connect with patients and others in their unique and diverse communities.

Dr. David Hall, Chief Medical Officer of Clinical Informatics, and Sister Judith Ann Duvall, O.S.F., Chairperson of the OSF Healthcare System, share a commitment to connecting the latest in technology with the skilled health care providers within OSF HealthCare. Dr. Hall considers the active involvement and leadership of the Sisters key to the transformational mission of meeting the needs and expectations of patients in Illinois and Michigan.

Sister Judith Ann Duvall, O.S.F., Chairperson of the OSF Healthcare System, is most encouraged by the convergence of people, processes and technology at OSF that are transforming health care. "Our people share a passion to serve every patient, every time, with the greatest care and love. When we support that with improved processes and technology, we can truly impact and improve the lives of those we serve."

Utilizing new technologies, like barcode scanning for medication administration, improves patient safety and enhances the quality of patient care by ensuring accuracy in the type and dosage of medication delivered.

One final, but important, note on connections. The OSF HealthCare Mission was articulated by Mother Mary Frances Krasse in 1877 as she charged her fellow Sisters to "serve with the greatest care and love." We maintain a connection to that statement of purpose and, in so doing, ensure all connections point in one single direction: the patient.

OSF myHEALTH ... BECAUSE PRONOUNS MATTER

No more. Welcome to **OSF myHealth**. Introduced in March 2011, **OSF myHealth** is a patient portal that is available 24/7, 365 days a year. More than 25,000 patients within the OSF HealthCare System have already registered to be a part of **OSF myHealth**, and the percentage of those who have activated their accounts continues to grow.

According to Dr. Gerald McShane, President and CEO of OSF Medical Group, **OSF myHealth** is providing patients a connection that is truly empowering. "It is an avenue for patients to take even greater ownership of their health and the health of those in their family," says Dr. McShane. "It is a partnership between patient and caregiver that forms a connection that strengthens the face-to-face interactions our patients have with us."

OSF myHealth evolved from the new Epic integrated computer system. (See related story in this report.) When Epic was implemented, it was to produce a comprehensive electronic medical record for patients that could be accessed systemwide. A key module of Epic was a program to have patients more involved in their care through greater access to their physicians and their own medical records. Activating this module was a natural next step in bringing valuable connections to our patients.

Connections for patients and their physicians have traditionally been face-to-face with an established routine: Call the office; make an appointment; show up on time; read old magazines; see the doctor. Connections for patients and their medical records involved, for the organizationally gifted, a file at home with copies of lab reports and other documents with sometimes undecipherable medical hieroglyphics. For those more challenged than gifted in organizational skills, the connection was primarily listening closely to what the physician said during the appointment or after a procedure.

So, what can a patient expect when he or she activates an **OSF myHealth** account? Briefly ...

View medical history online. Patients will get to see the same information available to their physicians, including medications, immunizations, allergies, test results and more.

Stay in touch with their physician. Communication through secure e-mail messaging with questions relating to their specific situation can be answered quickly and confidentially. In actual practice, time may be limited for the physician and patient or questions come up after the appointment is completed. **OSF myHealth** makes round-the-clock connections possible.

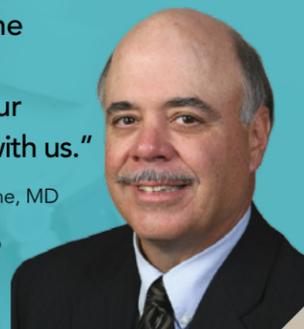
Manage appointments. Patients can request and schedule appointments online and view past and upcoming appointments.

Access family records. Patients can link individual family members' records of appointments, immunizations, growth charts and more for the entire family — a welcome innovation for all patients, but especially for parents.

Portability. For those who leave the area for vacations or more extended times, **OSF myHealth** offers access to medical information that could be needed while away from one's primary physician or an OSF facility.

"It is a partnership between patient and caregiver that forms a connection that strengthens the face-to-face interactions our patients have with us."

Gerald J. McShane, MD
President and CEO
OSF Medical Group



Patients are encouraged to register for **OSF myHealth** while they are healthy and have the time. Once a patient has signed up and activated his or her account, they will have ready access to an important tool for monitoring and managing their own medical needs and those of their family.

Some restrictions are in place for patients due to sensitivity of information. In those cases, a conversation with the physician is in order.

OSF myHealth – offering electronic connections that allow each patient to truly be at the center of his or her health care.

EPIC PERFORMANCE

At the heart of Epic is the systemwide introduction of a single electronic medical record (EMR). The system provides every patient, every time...one record for all caregivers. With a shield of confidentiality in its design, the EMR is instrumental in faster diagnosis and treatment, greater safety in medication administration, an ongoing tracking and evaluating of processes and the sharing of key data between and among all care providers.

Cassandra ("CJ") Morris, RN, BSN, CPN, Clinical Educator for General Pediatrics at Children's Hospital, feels that Epic means safer care for patients. In addition, the ease of navigation for the Epic system allows nurses to have more time for direct patient interaction.

Where will Epic take us next? It will be with our patients as they become more involved in their care through OSF myHealth. It will be with us as standards of care are developed and refined within OSF HealthCare. It will enable OSF HealthCare to transform health care to improve the lives of those we serve.

Epic arrived at the patient's bedside and in their physician medical office in the middle of the night. Silently and unnoticed. When the sun arose, Epic was still there, as if it belonged. Because it did.

Epic is a powerful health care tool that, for those we serve, is a silent and unnoticed partner in care. It quietly resides with our primary care offices, in our prompt cares and emergency departments, and throughout our hospitals and specialty offices. To our caregivers and support staff, however, Epic has proven to be much more; as an integrated medical record system Epic has been a "game changer."

The invisibility that cloaked Epic for hospitalized patients and physician medical offices during its midnight implementations was by design. When done correctly, the transition from one system to another is "seamless" and unnoticed by patients. And so it was within the OSF Healthcare System with the introduction of Epic.

But the training that led to the implementation was by no means invisible to thousands of OSF HealthCare employees and physicians. Months of meticulous planning were prelude to each facility's activation date, with strong on-site support by staff throughout the system for the weeks that followed.

Nationally, 220,000 physicians are on the Epic Electronic Medical Record, about 1 of 4 physicians in the United States. Approximately 33 percent of the U.S. population will receive care at an organization using Epic's EMR.

Epic is providing new ways to serve patients in and out of the hospital with innovative methods of communicating vital, life-saving information. It is giving patients direct access to their medical records and an avenue to connect with their doctors. The implementation of Epic has been as significant as its name implies. Epic has improved existing connections and introduced new opportunities.

The planning for Epic has been described as going beyond knowing "what button to push." Planners realized Epic was a powerful tool, but the processes and people connected to that tool bring it to its greatest potential. Providing education and support to the entire organization during the steps leading to training and final implementation was as important as the actual activation of the tool.

Epic has not been static, nor was it meant to be. It has been a parent to other innovations, some of which are discussed in these pages. Epic made possible the computer connection for patients called OSF myHealth and is becoming an important partner in the Heart Failure Disease Management Program. It is allowing non-OSF physicians to access patient data through OSF eLink. It is sending key patient information ahead of helicopters and ambulances so hospitals are better ready to receive critically ill or injured patients.

To some extent, Epic remains a silent partner, unseen by our patients but impacting them every hour they are in our care. OSF HealthCare has a Vision of strong connections between caregivers and those we serve. As we continue to connect people, process and technology, Epic is a powerful tool in converting our Vision into reality.

HEART FAILURE DISEASE MANAGEMENT PROGRAM

A patient with heart failure is being discharged from the hospital. Heart failure is a condition in which the heart struggles to supply the body with oxygenated blood. Will the patient be readmitted to the hospital?

If that hospital is within the OSF Healthcare System, the answer might surprise you. An innovative and aggressive intervention effort, the Heart Failure Disease Management Program is working to reduce readmissions — to break the admit-readmit cycle for our patients with heart failure. The OSF Cardiovascular Service Line initiated this program in 2010 and made significant progress in 2011. In order to accomplish its goals, the program is focusing on improving the coordination between all health care providers across the entire OSF continuum of care, spanning both the inpatient and outpatient settings.

The positive impact of this program on patient care is anticipated to be the result of sharing quality and outcome data with physicians and other providers, as well as administrators. A disease registry is being developed and will allow health care providers to evaluate outcomes of the program and then make any necessary changes.

The Epic electronic medical record system will likewise play a key role in providing the data needed as evidence-based standards of care are developed. In addition, the data collected will allow OSF to benchmark with other health care systems across the United States.

And, of course, **OSF myHealth**, the computer connection designed for patients (profiled elsewhere in this report), will permit patients with heart failure to monitor their own progress and connect with their physicians.

The future of the Heart Failure Program will involve more connections between patients and health care providers, including home health, rehabilitation specialists, skilled nursing facilities, urgent care, ambulatory procedure centers and hospice.

Heart failure clinics will also be an important future link between patients and their physicians.

Progress in Treating Heart Failure

Heart failure cannot be cured, but with treatment, patients can live longer and have a better quality of life. There is a growing number of patients with heart failure because people are living longer.

The initial results over this past year are very promising. Using the prior year's readmissions for heart failure as a baseline, early data for 2011 showed a decrease of 5.1 percent across the entire OSF Healthcare System — an encouraging start.

Details of OSF Response

The initial steps in the Heart Failure Program's "Hospital to Home" project are taken at the hospital before discharge and include ensuring an appointment is made before the patients leave the hospital to see their physician within five office days after hospital discharge. Patients receive interactive education, called teach-back, to ensure they understand what they were taught on critical components such as diet, medications, and when to call their doctor.

The Future ... Connections Are Extensive

According to Cardiologist Dr. Parker McRae, the systemwide physician champion for the Heart Failure Program, this effort will serve as a template for other chronic diseases. "The connections designed into this program focus on continuity of care," says Dr. McRae. "This will, of course, prove to be of great help for our cardiac patients, but will also become a valuable prototype for a variety of other chronic conditions."

PUBLIC

SUCCESS AT THE REGIONAL LEVEL

The geography of OSF HealthCare is extensive, covering much of central and northern Illinois and the Upper Peninsula of Michigan. Recognizing the needs and resources are unique to each area, a regional system was developed in 2008. But commonalities were likewise recognized, leading to connections on important medical issues. The CV Service Line, and specifically the Heart Failure Management Program, illustrate that connection.

OSF St. Joseph in Bloomington has been a program leader as they established a process to review the monthly metrics and project components, such as five-day follow-up appointments and patient education. When targets are not met, action plans are developed and monitored.

Consistency has been a feature of efforts by OSF Saint James and OSF Saint Anthony, where an advance practice nurse (APN) sees all patients prior to discharge. OSF St. Francis in Escanaba has done very well on both outcome (readmissions) and process measures.

Our partners in improving care for heart failure patients may be separated by many miles, but hospitals and caregivers in the four OSF HealthCare regions have come together in a common commitment to learn and share.

Will the heart failure patient be readmitted? We hope not. Improving the coordination of care and connecting patients with heart failure to other health care providers across the OSF continuum of care should further reduce the need for patients to be readmitted to the hospital. Ultimately the connections being implemented in the OSF Heart Failure Disease Management Program will help patients with heart failure live longer and improve their quality of life.

OSF HOME CARE SERVICES

CONNECTED CAREGIVERS



The patient in the hospital is monitored frequently by caregivers. Vital signs are taken. Charts show trends and success in treatment. In the past, that high level of monitoring ended when the patient returned home. But no longer.

Using the Honeywell HomMed Monitoring System, OSF Home Care Services now maintains vital connections between clinicians and patients in their homes. Daily feedback on vital signs not only gives a snapshot of the patient for that day but also provides trend reports while tracking compliance with treatment plans.

The system uses existing phone lines in the home and sophisticated monitoring equipment to make the reporting easy for the patient. Each patient who is part of this telemonitoring program is asked to submit the requested information at the same time each day. On the other end, OSF Home Care personnel review and determine what action, if any, is to be taken. Those actions may include a home visit, a follow-up visit to the patient's physician, an altering of medication dosages or modifications to the treatment plan.

Other highlights:

The Chronic Care Management Program — created to address the heightened need for specialized care after a patient goes home from a life-threatening experience or chronic disease flare-up.

Call Home Care First — developed to encourage patients to call Home Care's 24-hour triage for answers to questions ... reducing unnecessary visits to the ER.

OSF Home Care — expanded home health and hospice services in Dickinson County in the Upper Peninsula of Michigan. This area had been without hospice care in recent years.

SAINT FRANCIS COLLEGE OF NURSING

Are simulated connections just as good as real ones? At the Saint Francis College of Nursing in Peoria, the answer is "yes."

Thanks in part to \$300,000 in grant funds received in 2011, the College now has six fully operating simulation labs for its almost 600 students. Each lab has a simulation mannequin in a unique setting to better familiarize the nursing students with situations they will encounter during clinicals. Labs include an efficiency apartment for community health nurses; a standard hospital room; an ICU; an emergency department; a doctor's office; and a family lab for OB and pediatrics.

The bedside computers use the Epic system now installed in the medical center. Four labs have Pyxis medication dispensing machines, identical to what is found on inpatient floors.

The simulation mannequins have vital signs, talk, present nursing problems and can "tell" the students when a mistake has been made.

According to College of Nursing President Patricia Stockert, RN, MSN, Ph.D., the connection from simulations to real world is all about safety. "The focus in these labs is to ensure quality patient care in a safe environment. Our upgrade in 2011 helps our students become the best nurses possible."

Simulations and real life ... connecting for our patients.

PUBLIC

Other highlights:

Leadership changes:

Patricia Stockert, RN, MSN, Ph.D., assumed presidency of the college upon the retirement of Lois Hamilton, RN, Ph.D. Dr. Hamilton had served the college for 14 years.

Sue Brown, RN, Ph.D., DNP, replaced Patricia Stockert as dean of the undergraduate program. Dr. Brown had been a faculty member since 1993.

OSF SAINT JAMES – JOHN W. ALBRECHT MEDICAL CENTER

Other highlights:

OSF Saint James received full accreditation from The Joint Commission following a three-day on-site review in March.

Affiliation established with the Joslin Diabetes Center of Boston.

Joslin offers a wide variety of education programs, classes and support groups for the person with diabetes, and for family and friends. Joslin is also the leading provider of diabetes continuing education programs for physicians and diabetes educators in the United States.

Echocardiography Lab received three-year accreditation from Intersocietal Commission for the Accreditation of Echocardiology laboratories.

OSF Saint James welcomed four new OSF Medical Group physicians to its active staff, two in family medicine and two in pediatrics. In addition, a new OSF Medical Group office was opened in Pontiac.

Communications: The bedrock for connections between patients and their physicians. But what happens to that connectivity when an adult patient is hospitalized? At OSF Saint James – John W. Albrecht Medical Center, an important connection was inaugurated in 2011 that adds a crucial link to the doctor-patient relationship: a hospitalist program.

Hospitalists are physicians trained in the care of hospitalized patients and are assigned full time to the hospital setting. They work closely with the admitting physician, nursing and auxiliary staff and physician specialists. The result is an unbroken line of communication and connections that ensure each patient's medical needs are identified and met.

The introduction of electronic medical records has further enhanced the connection between the hospitalist and the patient's physician, as both can check on status, test results and recommended medication changes. The hospitalist sees each patient at least once a day and is present at discharge, further ensuring a reconnection with the family physician.

Connections are further enhanced for family members as hospitalists are present 12 hours a day, Monday through Friday, and thus available for discussions and consultations with both patient and family.



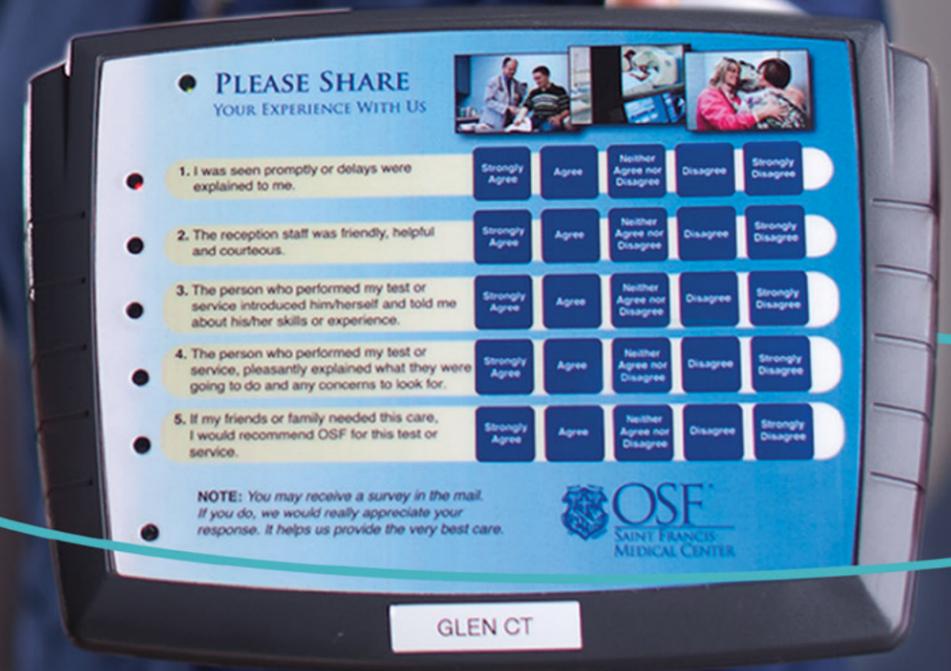
OSF AMBULATORY SERVICE LINE

Measuring patient satisfaction has long been a way to connect our services and caregivers with our patients. In the ambulatory setting, that connection has been enhanced by asking each patient, at the end of his or her appointment, to use a hand-held electronic device to answer five questions.

They are asked to evaluate promptness in being seen, friendliness of staff, proper introductions of staff and explanations of the test or service being offered.

The final question is perhaps the key in knowing how well we have connected with our patients. It asks if the patient would recommend OSF to a friend or family member. The trend since 2009 when this was first implemented has been steady and upward, showing that those we serve in the outpatient setting not only feel more connected to our staff but would encourage others to experience a similar level of service. The "loyalty" score has risen by nearly 10 percent since 2009 and is approaching a 95 percent approval rating.

The use of the devices has been made part of the closure protocol. Feedback is fast and shared with staff the next day. Some 86 devices are now in use with nearly 10,000 responses being tabulated each month. That is 10,000 opportunities to listen, learn and connect.



PUBLIC

Other highlights:

OSF Health Management, a program that focuses on the health and well-being of many of our own employees, expanded in 2011 to include OSF HealthCare employees in Peoria, Galesburg, Bloomington and Pontiac.

Under the direction of Dr. Tim Vega, OSF Health Management works alongside Employee Health and Wellness in coordinating an extensive array of wellness and prevention services for those employees whose complex medical conditions and resultant high medical expenses are such that a multi-disciplinary approach best serves their needs.

The team reviews and coordinates the various aspects of a patient's well-being, from disease management to wellness and lifestyle issues to financial and social concerns. OSF Health Management is a key connection between OSF HealthCare and our Mission to care for our employees.

Other highlights:

Children's Hospital of Illinois

The 26th annual Children's Miracle Network raised \$2,217,000.

Children's Hospital of Illinois was redesignated a Pediatric Critical Care site by the state of Illinois.

Children's Hospital successfully recruited 15 pediatric specialists, two in specialties not previously filled: Pediatric Nephrology and Pediatric Pulmonology.

Electronic Medical Records began in outpatient areas with the first activation at the St. Jude Midwest Affiliate.

Children's Service Line

Family representation in place for local Pediatric Councils at each OSF HealthCare hospital.

In conjunction with the OSF Medical Group, created Pediatric Ambulatory Nurse Skills curriculum.

Regional education events for physicians, advance practical nurses and registered nurses held with more than 650 attending.

Child passenger safety training sessions for all health care professionals conducted throughout the OSF Healthcare System.

In coordination with the OSF Medical Group, created and launched a Pediatric Ambulatory Nurse Skills Curriculum.

OSF CHILDREN'S SERVICE LINE / CHILDREN'S HOSPITAL OF ILLINOIS

Connectivity within the Children's Service Line can best be seen in the adoption of common pediatric protocols. An excellent example of this is found in the creation of pediatric asthma management in both the inpatient and ambulatory settings. It is a tale of two cities as a key connection has been made between Peoria's Children's Hospital (focusing on inpatients) and OSF St. Joseph Medical Center in Bloomington (focusing on children in the ambulatory setting).

In Peoria, Dr. Mary Schultz developed an electronic version of the Asthma Home Action Plan, a critical component of the systemwide inpatient asthma treatment guidelines. It is now available in Epic, the integrated software program used throughout the OSF Healthcare System. The plan is kept in the patient chart and thus available for immediate access and updating as needed.

Under the leadership of Dr. Lamont Tyler with the OSF Medical Group in Bloomington, new guidelines for the evaluation and treatment of pediatric asthma exacerbations in the ambulatory setting have been implemented. The guidelines focus on responsibilities for physicians and nurses in triaging, evaluating, treating, documenting and ensuring follow-up. Education for patients and their families is a key component within the guidelines.

When those involved in ambulatory care connect with those serving hospitalized children, the benefits are significant. Children with asthma are learning this each day in two cities within OSF HealthCare.

HIGHLIGHTS

OSF HEALTHCARE FOUNDATION

Providing care at the end of life in a calming and supportive setting is the vision for the OSF Richard L. Owens Hospice Home, now under construction on Route 91 in northern Peoria. The OSF HealthCare Foundation has been working to provide the financial support necessary for this facility and has now secured nearly \$7 million of the \$10 million needed to bring this vision to reality.

Ground breaking was held in September with an expected opening in spring of 2013. The facility will have 16 private rooms. An estimated 1,200 patients and their families will be served each year by this hospice home.

The OSF HealthCare Foundation has secured gifts or assisted in obtaining funds for a variety of projects, including:

More than \$2.5 million for the Birthing Center at OSF St. Joseph Medical Center in Bloomington.

\$2.5 million from the Community Health Foundation of Henderson and Warren Counties for the OSF Holy Family Clinics in Monmouth.

Employee gifts for wind and weather protection for patients and visitors at OSF Saint James – John W. Albrecht Medical Center in Pontiac.

Employee gifts at OSF St. Francis Hospital in Escanaba for a Serenity Garden.

OSF SAINT FRANCIS, INC.

Connecting with patients and family members has many facets, including the offering of appropriate health and wellness products. Seeking to enhance those connections, OSF HealthCare Retail Services, a division of OSF Saint Francis, Inc., opened four distinctive retail outlets within OSF facilities in 2011. Those locations include:

- OSF Specialty Clinic at Guilford Square in Rockford;
- OSF Center for Health Rock Cut in Rockford;
- RiverPlex in Peoria; and
- OSF Saint Francis Center for Health in Peoria.

Each location has a unique and tailored mix of products and services that help connect the primary function of that facility with those they serve.

Existing shops at OSF Saint Anthony Medical Center in Rockford and OSF Saint Francis Medical Center and Children's Hospital of Illinois in Peoria are being enhanced through customized product offerings and store operations.

OSF SAINT FRANCIS MEDICAL CENTER

Connecting with patients and families was a focus in 2011. Patient Care Representatives from the Patient Relations Department now routinely round on patients, with their findings shared with nursing care managers and others. For adults who have been discharged, a Patient and Family Advisory Board was established to gain further insight into how to better serve those who come to us. Both efforts are strengthening the ties between our caregivers and those we are called upon to serve.

The OSF Saint Francis Heart Hospital had the fastest heart attack treatment time in central Illinois in 2011: 53 minutes from "door to treatment."

Comprehensive Lung Cancer Clinic opened, a collaboration between OSF Saint Francis and five physician practices.

Ground breaking held on the \$50 million Jump Trading Simulation and Education Center, a partnership with the University of Illinois College of Medicine at Peoria. The center will truly transform education for medical professionals.

The OSF Saint Francis Emergency Department was in the top 10 percent for patient satisfaction based on national Press Ganey data.

A pharmacy residency program was established, demonstrating OSF Saint Francis' status as a major academic medical center with a commitment to addressing the training and recruitment of health care professionals.

OSF MEDICAL GROUP

Collaboration across a wide geographic area among primary care physicians, specialists and advanced care practitioners poses a unique challenge. Within OSF HealthCare, this was initially addressed in 2010 by the formation of the OSF Multi-Specialty Group.

In 2011, the next step was taken as a governing council was formed with 19 members who are physicians and system and service line representatives. From this, key strategies will be developed for a team-based care model that will enhance the already high level of care offered within OSF HealthCare.

The OSF Medical Group Daytime Call Center was established, connecting patients to OSF staff members who can address questions and concerns.

OSF Medical Group opened three walk-in clinics at Walmarts in Peoria and Rockford.

Affiliated with Joslin Diabetes Centers, a leader in services and education for patients, family members and physicians. This affiliation led to new sites opening in Bloomington, Galesburg and Pontiac. OSF HealthCare is the only Joslin affiliate in Illinois.

OSF HOLY FAMILY MEDICAL CENTER

The Clinic Expansion Project kicked off in 2011. Using the vacated long-term care unit, the new space will nearly double the size of the current clinic to 15,000 square feet and allow services to expand to meet the growing needs of our community.

Successfully recruited new physicians and providers.

Developed a regional structure with OSF St. Mary Medical Center that will involve shared and joint services, adding efficiency while controlling costs.

Began accepting referrals for Resource Link, a child and adolescent mental health service. The Resource Link Program provides physician training, psychiatric consultations and case coordination.

OSF ST. MARY MEDICAL CENTER

The acquisition of the Galesburg Clinic by OSF HealthCare has allowed a long-standing connection between the clinic and OSF St. Mary Medical Center to grow even stronger. The clinic is located on the OSF St. Mary campus. The new partnership permits better coordination of care, improved sharing of information and streamlined services.

Successfully recruited physicians in obstetrics/gynecology and surgery.

Regional structure with OSF Holy Family in Monmouth developed in which many key positions are shared, thus providing more efficient and cost-effective delivery of services.

Receipt of three grants permitting the implementation of the Resource Link Program, a referral service for child and adolescent mental health. In addition to physician training, psychiatric consultation and case coordination, the program monitors prevalence of youth mental illness in the area. An average of 17 patient referrals per month were recorded following implementation.

OSF SAINT ANTHONY MEDICAL CENTER

OSF Saint Anthony provided the leadership for the implementation of therapeutic hypothermia protocols for pre-hospital agencies. Working with the Illinois Department of Public Health, the City of Rockford Fire Department and dozens of local and regional fire departments demonstrated strong connections between and among providers and patients. The new protocols are aimed at improving the neurological outcomes of patients who have been successfully resuscitated following cardiac arrest.

Introduced the OSF Lifeline Critical Care Transport Team which provides care for patients being transported by ambulance or helicopter, connecting smaller hospitals with those in Rockford, Chicago or Madison, Wisconsin.

OSF Saint Anthony joined the Illinois Gift of Hope organ and tissue donor network after application approval by the U.S. Department of Health and Human Services.

OSF Saint Anthony awarded the Parks Pinnacle Award for commitment to the community and for working with and supporting programs and services of organizations such as the American Cancer Society, the American Heart Association, the Alzheimer's Association, Special Olympics and The Salvation Army.

Awards and Honors:

Breast Imaging Center designated a Center of Excellence by American College of Radiology.

The OSF Saint Anthony Cardiac Rehabilitation and Pulmonary Rehabilitation programs awarded certification by the American Association of Cardiovascular and Pulmonary Rehabilitation.

Patient Logistics added to Nursing Services in 2011, ensuring faster patient admissions with new bed-tracking system, facilitating patient placement based on clinical decisions and diagnosis.

OSF ST. FRANCIS HOSPITAL & MEDICAL GROUP, ESCANABA

Strong connections with the community by OSF St. Francis Hospital & Medical Group are illustrated by two initiatives begun in 2011:

Restricting elective cesarean sections and inductions for expectant mothers who are at least 39 weeks into their pregnancy gives unborn babies more time for late-term development with after-birth complications lessened. The OSF St. Francis Women's Center in Escanaba has been engaged in a significant effort to educate patients and the community on the health benefits of a full-term pregnancy.

Thanks to a grant from the United Dairy Council of Michigan, OSF St. Francis is helping implement Fuel Up To Play 60 in area schools. While student-led, teachers and parents will also be involved with this effort to improve the health of our children by encouraging better food selection and greater physical activity.

These life-saving technologies were purchased by OSF Women in Philanthropy:

Fluid warmer and rapid infusion system for Emergency Department. Designed for trauma patients coming in with rapid and significant blood loss.

Fetal monitoring system that allows a physician to monitor expectant mothers and their unborn babies from the physician's home via a secure network. The physician can see real-time data and make medical decisions during middle-of-the-night emergencies.

Installation of an MRI with improved image quality that is more patient-friendly with a wider opening, less noise and shorter scan times.

OSF NEUROSCIENCE SERVICE LINE/ILLINOIS NEUROLOGICAL INSTITUTE

The Illinois Neurological Institute (INI) introduced a 48-hour callback plan for each discharged neurological patient, thus maintaining the strong connection that began in the hospital setting. The calls are placed by advanced practice nurses to ensure patients are following discharge instructions and to address any questions or concerns the patient or family member may have.

The INI Epilepsy Center designated a Level 4 center by the National Association of Epilepsy Centers. This is the highest level a center can attain. It is staffed by two adult and two pediatric epileptologists and an adult and pediatric epilepsy surgeon.

The INI Movement Disorder Center added Dr. Dyveke Benoit from Stanford's Movement Disorder Center. She joins Dr. Patrick Tracy who does deep brain stimulation. They have added a multi-disciplinary spasticity center within the INI.

An 18-bed Neuro Intermediate Care Unit established at OSF Saint Francis Medical Center. This combines with the 18-bed critical care unit to form one of the largest such units in the Midwest.

Management of brain tumors in the INI Brain Tumor Center now includes removal of tumors using awake craniotomy techniques. Development of an intraoperative MRI neurosurgery suite this year will allow improved resection capacity.

OSF ST. JOSEPH MEDICAL CENTER

OSF St. Joseph opened its new Birthing Center in August. Introducing a new delivery of care model, the Birthing Center has 12 labor/delivery/recovery/postpartum (LDRP) rooms, a 15-bed nursery area and increased space for patient-related equipment. The new delivery model is designed for mother-baby care, with the same nurse caring for both mother and child, creating an educational environment for new families. In the past, mothers gave birth in one room, then were transferred to a postpartum room. Now, families are able to stay in one spacious room for the entire birthing experience.

OSF Weight Management Center opened in January. It combines medical, surgical, behavioral and lifestyle modifications for weight loss. The center has a multi-disciplinary team of physicians, registered dietitians, fitness specialists and support staff who provide education and emotional support within an individualized program.

Since February, stereotactic breast biopsies — a safe, fast and precise way to test breast samples without surgery — has been offered by OSF St. Joseph. This less invasive procedure reduces stress for the patient with minimal risk of complications. An added advantage is that stereotactic biopsies can evaluate tiny masses not necessarily visible by ultrasound.

OSF St. Joseph received the HealthGrades Outstanding Patient Experience Award™ for the second consecutive year. HealthGrades surveyed 3,797 U.S. hospitals and placed OSF St. Joseph in the top 10 percent in patient satisfaction.

The OSF St. Joseph Medical Center Foundation has raised 75 percent of its \$3.5 million goal to fund the new Birthing Center with the Delivering Joy Community Campaign. This included 100 percent support from the OSF family, including the medical center's management and staff, Community Board members and the Foundation Council.

SAINT ANTHONY COLLEGE OF NURSING

A Family Nurse Practitioner (FNP) specialty has been added to the Saint Anthony College of Nursing MSN program. Five new doctorally and/or FNP-prepared faculty have been recruited to teach in the classroom, support research, mentor in the clinical setting and, with assistance from the OSF Medical Group, put into operation a faculty practice model.

Approval granted by the Illinois Board of Higher Education and Higher Learning Commission for Saint Anthony College of Nursing to establish a regional site for RN-to-BSN education in Stephenson County.

After four years of preparation, College of Nursing granted chapter status by the nursing honor society of Sigma Tau International.

Twelve current RNs completed the College of Nursing's Parish Nurse program with service to be provided to churches in northern Illinois and southern Wisconsin.

Acquired patient simulators, one a mother (Noelle) and one a baby (Hal), to be used by students in collaboration with other OSF care providers.

OSF CARDIOVASCULAR SERVICE LINE

The OSF Cardiovascular Service Line has been working to improve the "time to treatment" for acute heart attack patients. To further reduce this critical time frame, OSF HealthCare donated funds to seven non-OSF regional hospitals and 42 emergency medical services (EMS) agencies for the purchase of pre-hospital electrocardiogram (ECG) equipment and software. This technology allows for the faster diagnosis of patients having a heart attack and the transfer of the patient to the most appropriate hospital for treatment.

The technology permits an ECG to be sent from the "field" (wherever the patient is located) via cell phone to the hospital or to a physician's hand-held device. OSF data shows that the time to treatment is reduced by approximately 20 minutes if the patient has the ECG results transmitted to the hospital before the patient arrives.

Currently, at OSF hospitals in Rockford, Peoria and Bloomington, more than 95 percent of patients receive heart attack treatment within the national target of 90 minutes. In addition, the current median time to treatment for these facilities is 61 minutes, which is significantly lower than the national target of 90 minutes.

The time to treatment for heart attack patients and the overall percentage of patients who receive needed treatment, when compared to national guidelines, continues to improve, thanks to an ongoing, coordinated team effort among OSF hospitals, regional hospitals and EMS providers.

Initiated standardization of heart surgery patient care protocols and processes at OSF Saint Anthony, OSF Saint Francis and OSF St. Joseph medical centers.

Developed the Adult Congenital Heart Program in conjunction with the Pediatric Congenital Heart Center at Children's Hospital of Illinois at Peoria.

Expanded the number of regional vascular clinics across central Illinois to five.

Began offering the atrial fibrillation ablation procedure at OSF Saint Francis in Peoria. Atrial fibrillation is a heart rhythm problem that causes irregular heart racing. The ablation procedure involves removing the abnormal electrical pathways that cause the irregularity through non-surgical techniques.

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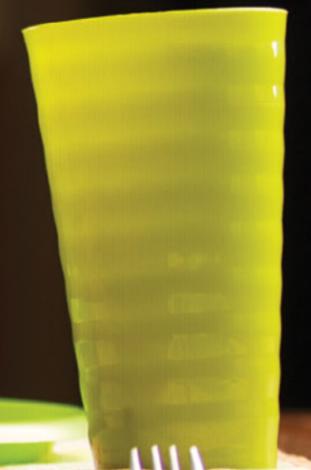
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FINANCIALS

FISCAL YEAR 2011

October 1, 2010–September 30, 2011

Annual Gross Patient Services Revenue	\$5,367,114,347
Total Assets	\$2,379,226,000
Net Assets	\$752,001,000
Total Acute Care and Long-term Admissions	57,261

OSF HEALTHCARE EMPLOYEES 12,604

OSF MEDICAL GROUP

Locations	63
Employed Primary Care Providers	214
Employed Specialty Care Providers	23
Patient Visits	692,900

OSF HOME CARE

Home Health – Annual Visits	168,531
Hospice – Average Daily Census	260

OSF HEALTHCARE FOUNDATION

Total Contributions	\$19,703,448
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PUBLIC

ANNUAL GROSS PATIENT SERVICES REVENUE	\$3,357,223,401	2007
	\$3,755,640,381	2008
	\$4,282,265,204	2009
	\$4,666,112,920	2010
	\$5,367,114,347	2011

TOTAL ASSETS	\$2,058,811,000	2007
	\$2,079,020,000	2008
	\$2,229,303,000	2009
	\$2,313,395,000	2010
	\$2,379,226,000	2011

NET ASSETS	\$820,192,000	2007
	\$829,524,000	2008
	\$683,604,000	2009
	\$724,158,000	2010
	\$752,001,000	2011

TOTAL ACUTE CARE AND LONG-TERM ADMISSIONS	55,407	2007
	55,986	2008
	56,780	2009
	56,839	2010
	57,261	2011

OSF MEDICAL GROUP PATIENT VISITS	587,000	2007
	587,000	2008
	605,700	2009
	639,600	2010
	692,900	2011

OSF HEALTHCARE FOUNDATION CONTRIBUTIONS	\$17,705,532	2007
	\$10,487,688	2008
	\$15,391,080	2009
	\$33,457,334	2010
	\$19,703,448	2011



OUR
VISION
EMBRACING
GOD'S GREAT
GIFT OF LIFE,
WE ARE
ONE OSF
MINISTRY
TRANSFORMING
HEALTH CARE
TO IMPROVE
THE LIVES OF
THOSE WE SERVE

EXHIBIT B

PUBLIC

Rockford Health System

2010 Annual Report



Quality. It's a word that's often used in health care. It means that we provide our patients with a high level of care that's done right the first time, every time. Quality is what we're dedicated to at Rockford Health System. It's what helps us make important decisions throughout our organization.

On the following pages, you'll read about advancements and improvements at Rockford Health System all aimed at enabling us to provide the highest quality of care.

PUBLIC



Dear Community,

One hundred and twenty-seven years of caring is a long time. Rockford Health System has a wonderful legacy in the Rock River Valley. It is a legacy driven by a passion for providing quality medical care. Our founders had that passion more than 12 decades ago, as do the health care professionals you will find working across all of our entities today.

In 2010, our quest for quality continued. It is a driving force in all we do. We are continuously improving clinical performance. It is the reason Rockford Health System remains the region's leader when care is most critical, and we take great pride in that distinction.

So how do we promote the highest quality care? First, we recruit highly skilled physicians and health care professionals. We invest in state-of-the-art technology so these providers can practice leading-edge medicine. Second, we compare our patient outcomes with those of the finest health care providers in the nation. If we need to improve, we develop a plan to do it. Third, we promote evidence-based medicine. We adopt clinical protocols scientifically proven to get the best results. We are also training staff in Lean principles, so processes are most efficient and get the best results.

We drive a culture of safety. That drive was again recognized in a highly respected, independent health care study. In fact, Rockford Memorial Hospital has received the HealthGrades® Patient Safety Excellence Award for four of the past five years. And, lastly, we practice "Respectful Care" – striving for exceptional service, each and every time a customer comes to our door.



In this annual report, we celebrate a very productive year. Besides the important work of caring for patients – as leaders, in 2010, we have spent considerable time assessing how best to position our organization for long-term viability and success. Our goal is simple. It is to ensure that you and your family continue to have access to the highest quality medical care for many years to come. We understand our responsibility to provide superior care today, as well as preserve it for generations to come. We take that responsibility very seriously.

Sincerely,

Paul A. Green
Chairman of the Board

Gary E. Kaatz
President & Chief Executive Officer



Launching Our Electronic Medical Record

In 2010, Rockford Health System launched the largest and most ambitious information technology project in its history, as we took the first major steps toward a full electronic medical record (EMR).

Partnering with Wisconsin based Epic Systems, we began the project with Epics ambulatory medical record at Rockford Health Physicians and moved forward with OpTime, the Epic replacement for an older system currently used in the Surgery Department.

Hundreds of people are involved in the numerous project teams that are driving this massive undertaking. The teams include seasoned employees and new employees who have joined the organization to work on the EMR. In addition, two physicians are serving as Chief Medical Process Officers to provide valuable physician perspective and leadership to the project. This multi million dollar investment in our technology infrastructure will be implemented in many phases over the next several years.

Physicians and other clinical staff will see marked improvements in information sharing and the speed at which they will be able to access patient information. Patients will benefit as their information is entered electronically at the point of care, providing easier access to other health care providers.

Improving Customer Service and Performance Efficiency

Customer service and performance efficiency are two priorities across Rockford Health System. In 2010, physicians and employees spent focused time training in both. The Respectful Care initiative is a promise by caregivers to provide patients and families with “respect” each time they seek care. It is differentiating customer service, promoting an exceptional patient experience. And the promise of more efficient, less wasteful processes prompted Lean training for more than 800 physicians and employees. Lean has roots in the automobile industry and today it is highly successful in health care giving front line staff the tools they need to “own” performance improvement.



Implementing Video Interpretation

Patients who seek medical care at Rockford Health System have very diverse needs. For some, having a direct conversation with a doctor can be challenging. It may be because they cannot hear or because they speak another language. In 2010, we introduced video interpretation for deaf and hard of hearing persons, as well as Spanish-speaking patients. Laptop computers, with video cameras, in Rockford Memorial Hospital and across Rockford Health Physicians offices, quickly link skilled interpreters with patients and caregivers. Both patients and health care professionals can rest assured that there has been an accurate exchange of information for purposes of diagnosis and treatment.



RHPH Initiates New Diabetes Program

Approximately 6,000 adults have been diagnosed with diabetes at Rockford Health Physicians.

People with diabetes are at higher risk for heart disease, blindness and kidney failure. Physicians at RHPH are now working closely with diabetes educators and a dietician to provide counseling, support groups, educational sessions and wellness/health lectures. In 2010, the department became an accredited diabetes education program by the American Association of Diabetes Educators.





Caring For Kids

One in 110 children in the United States has autism, which can cause social, behavioral and communication challenges. Children under the age of three are at risk for greater developmental delays unless they receive early diagnosis and intervention. Thanks to a new screening tool implemented at RHPH, parents can work with their providers to identify signs and symptoms of autism.

Convenient Care Opens In Winnebago

Becoming ill or injured at night or on weekends isn't convenient, especially if you live in a small town far away from easy access to a doctor. In 2010, we opened Convenient Care at RPHW-Winnebago. Now residents in this small town and surrounding communities have an alternative to driving far distances when their doctor's office is closed. Additionally, Convenient Care began offering prescription medication dispensers at locations in Winnebago and on Perryville Road and North Rockton Avenue in Rockford.



RHPH Doctor Trains Physicians On Appropriate Use of Antibiotics

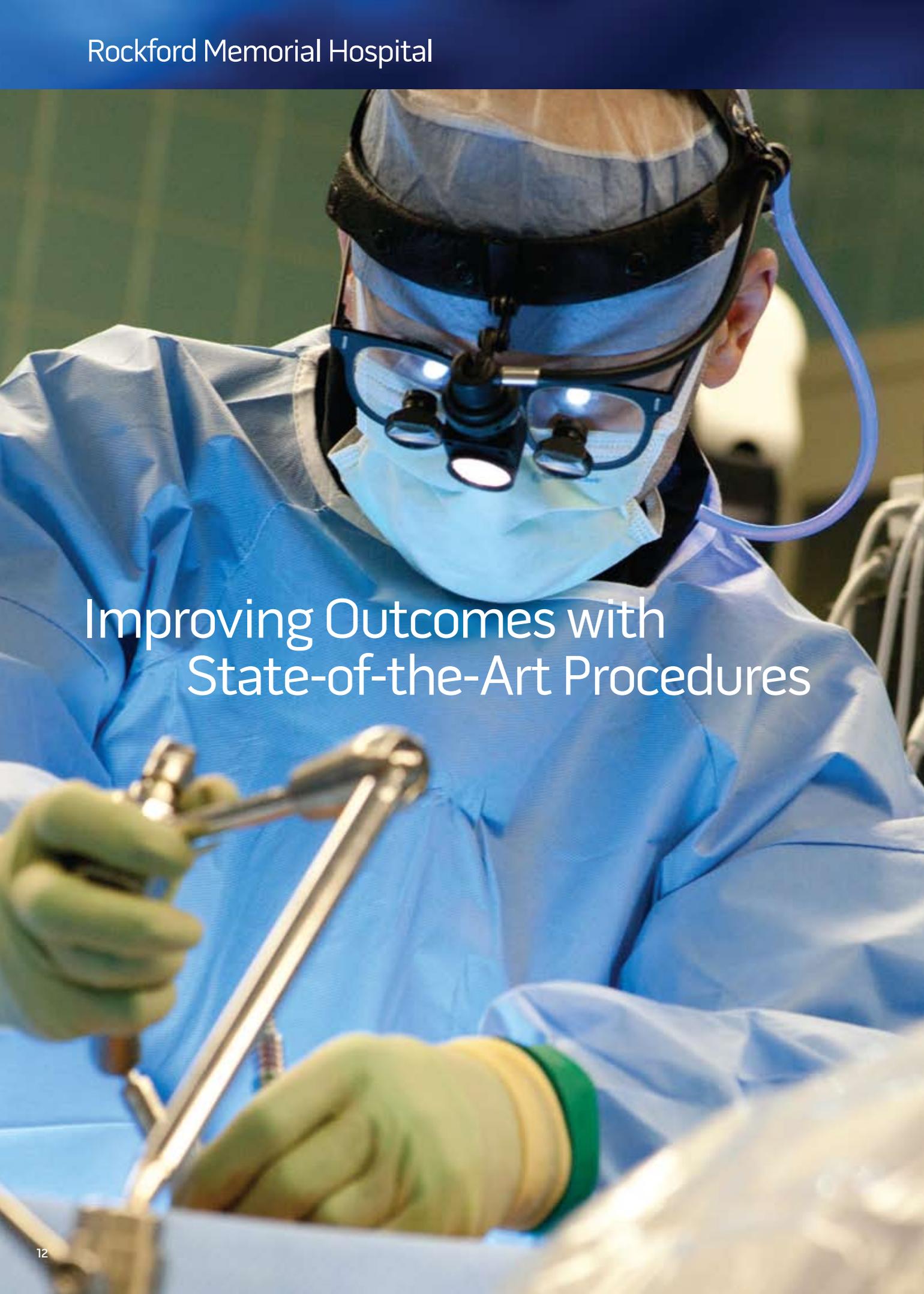


Repeated and improper uses of antibiotics are primary causes of the increase in drug-resistant bacteria, including commonly prescribed antibiotic treatments. This antibiotic resistance can cause significant danger and suffering for people who have common infections that were once easily treatable with antibiotics. When antibiotics fail to work, the consequences are longer-lasting illnesses, more doctor visits, extended hospital stays, the need for more expensive and toxic medications and even death.

In 2010, Rockford Health Physicians joined the Center for Disease Control's "Campaign to Prevent

Antimicrobial Resistance," which aims to reduce the rising rate of antimicrobial resistance by promoting adherence to appropriate prescribing guidelines among providers, and decreasing demand for antibiotics for viral upper respiratory infections among healthy adults and parents of young children.

Bruce Peterson, M.D., a pediatrician at Rockford Health Physicians – Roscoe, spearheaded the effort to train physicians across Rockford Health System. He also presented a city-wide program for physicians on this topic.



Improving Outcomes with
State-of-the-Art Procedures

Groundbreaking neurosurgical, cardiac and vascular interventional procedures benefited many patients at Rockford Memorial Hospital in 2010.

A technique called cerebral embolization with coiling was performed for the first time locally, by a neurosurgeon. This highly complex, minimally invasive surgical technique stops brain aneurysms from rupturing and strokes from occurring, when a micro catheter is guided up the leg to the brain to remove blood clots. Patients have less pain, less blood loss and faster recoveries.

Similar patient benefits result from less invasive cardiac interventional procedures performed for the first time locally. One technique, performed by interventional cardiologists, repaired a hole in a patient's heart using an amplatzer septal occluder. The occluder, described as an expandable wire mesh filled with a polyester fabric, is used to close the defect, after it is pushed through a catheter to the heart via a vein in the leg. And, a similar first is called transradial cardiac catheterization. Interventional cardiologists use a patient's wrist, instead of groin, to perform the testing of the heart and coronary arteries. Also, in 2010, vascular surgeons are performed aortic stent grafts in interventional suites, instead of in surgery.

Rockford Memorial Hospital finished an extensive renovation and expansion of its Emergency Department. The 16-month, \$4.4 million project began in August 2009 and included nine different phases of construction.

Nearly 50,000 patients are seen in our ED each year and more than 50 percent of hospital admissions come through the department, which received its last major renovation in the 1980s. A key focus of the project was to optimize work flow and minimize wait times for patients.

There were many benefits to the expansion. The patient check in, waiting and treatment experience is now more efficient, more welcoming and more comfortable. In addition, patient privacy was enhanced by adding doors to many of the treatment rooms.

A woman with long dark hair, wearing colorful patterned scrubs and dark pants, is standing on a circular platform in a hospital hallway. She is holding a large blue folder or document and looking at it with a man. The man has dark hair, is wearing blue scrubs over a red shirt, and is smiling as he looks at the document. The hallway is brightly lit, with a light-colored floor and a curved wall. In the background, there are medical equipment, a desk with a computer monitor, and an 'EXIT' sign above a doorway. The overall atmosphere is professional and collaborative.

Expanding Our Emergency Department

Improving Our Process



Making sure that patients flow quickly and seamlessly from admission to a hospital bed in the most appropriate level of care is a key initiative at Rockford Memorial Hospital. Based upon best practices in the nation, today a multidisciplinary bed flow team meets each morning and utilizes computer software to

track bed availability. It means that no matter where they enter the system, including the Emergency Department, patients are taken as swiftly and efficiently as possible to their room upon admission. A streamlined admissions process is an important indicator of quality for the patient care experience.



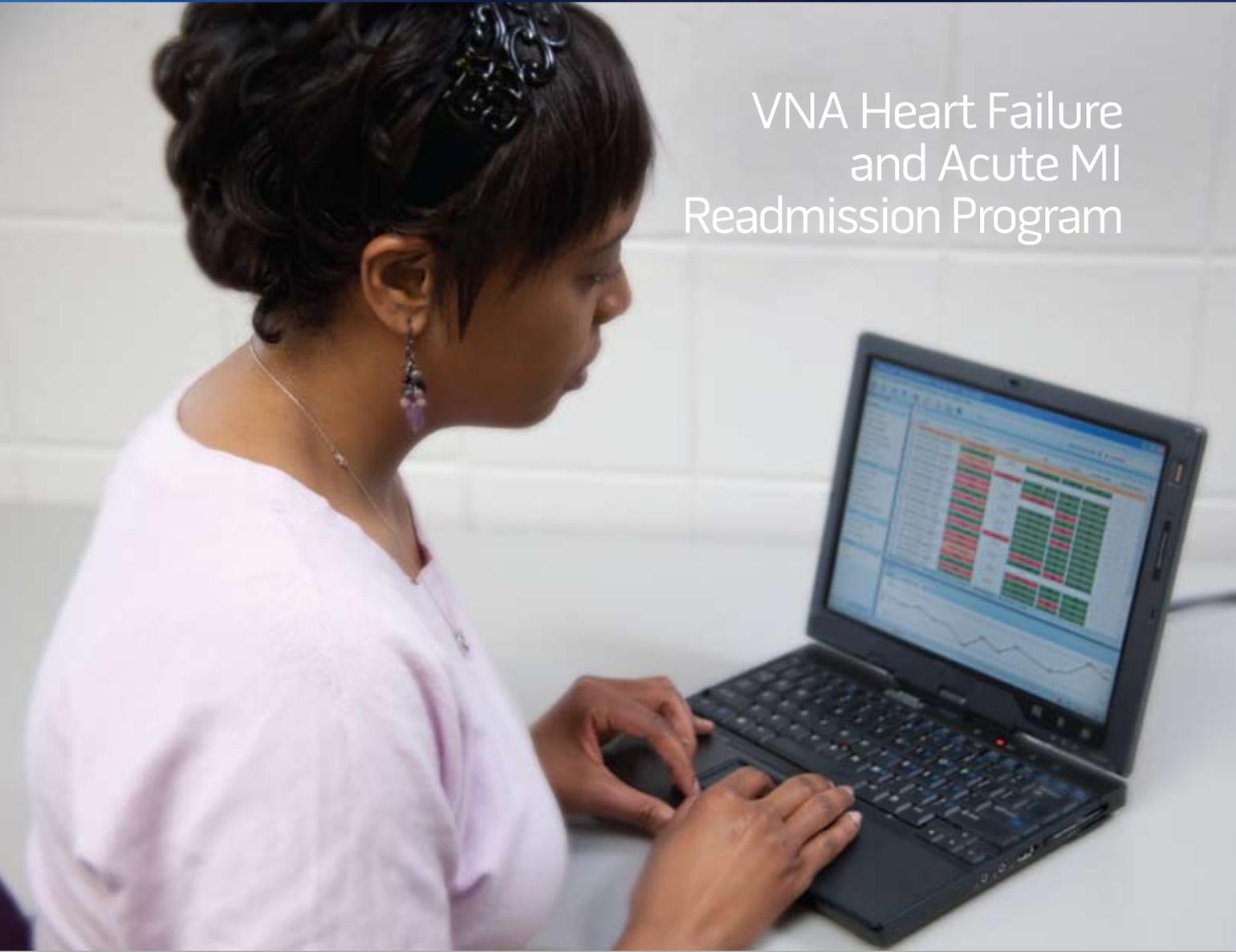
Launching Room Service

Room service was launched at Rockford Memorial Hospital in the fall of 2010. Just like in a fine hotel, our hospitalized patients can now pick up the phone and choose meals from a diverse and tasty menu. Patients appreciate the chance to order breakfast, lunch or dinner at a time best for them. Since initiating room service, we've seen very positive trends in patient satisfaction.

Monitoring Our Patients

It has been described as a second set of eyes. Remote telemetry allows nurses to monitor a hospitalized patient's vital signs, blood pressure, cardiac rhythms and pulse oxygen levels, even when not in that patient's room. That's because other highly-trained staff are monitoring those same patients remotely, 24 hours a day, seven days a week. The nurse is notified immediately at any sign of a problem. In its first year of operation, remote telemetry is already credited with saving lives.



A woman with dark hair styled in a bun, wearing a white lab coat and a necklace, is seated at a desk. She is looking at a laptop screen which displays a complex data dashboard with various charts and tables. The background is a plain, light-colored wall.

VNA Heart Failure and Acute MI Readmission Program

The Visiting Nurses Association continues to be a key player in helping to develop and implement a chronic disease management program for heart failure patients cared for at Rockford Health System. This multi-disciplinary team includes primary care and specialty physicians, hospitalists, advanced nurse practitioners, nurses, IMS and quality department staff members.

Patients are benefiting as significant progress continues to be made. The program is based on best practices and consists of a standardized educational book for the heart failure patient, approved by all levels of care serving the patient at RHS; standardized

home care visit path, decision flow chart for fluid management; telehealth monitoring for the home care patient; and quality monitoring for readmission rates. This program and process has helped drive better and more integrated care across the health system. Readmission rates are trending down for heart failure patients; 22 percent for fourth quarter 2010 compared to a national average of 24.7 percent CY 2009*. AMI readmission rates have dropped to 17 percent from 19.1 percent in CY 2009*. Plans are underway to expand the program in 2011.

*CMS Hospital Compare

Growth for VNA Hospice

The Visiting Nurses Association Hospice team is slowly breaking down barriers and stereotypes that many have about end-of-life care. The team has been working hard to dispel the many misconceptions people have about hospice, by educating the health care professional and the community at large.

This two-pronged educational approach helped the VNA hospice program experience a 24 percent increase in patients in 2010. Other factors attributed to this growth include implementation of the Palliative Care and Hospice General Inpatient programs at Rockford Memorial Hospital; a focused marketing program; and focus on long term care facilities. VNA will continue to expand these areas of focus in 2011.



Keeping Up to Date with the Latest Technology



Investing in the latest technology helps give patients the greatest chance for a successful rehabilitation. In 2010, the addition of SmartStep™, NuStep™ and

video fluoroscopy helped Van Matre HealthSouth Rehabilitation Hospital provide its patients with the highest level of rehab care available in the area.

← OUTPATIENT THERAPY

Quality Shows in Successful Results



Quality results speak for themselves at Van Matre HealthSouth Rehabilitation Hospital, the area's only rehabilitation hospital. In 2010, staff provided inpatient rehabilitation services to 1,106 patients and provided 8,528 outpatient visits.

The goal of rehab is to help the patient improve enough to be able to return home, to their own environment and continue with the activities they enjoy most. In 2010, 87 percent of patients were discharged home. And, these patients were satisfied – 94 percent of patients surveyed said they would recommend the hospital to family and friends.

In addition, Van Matre was recognized for its outstanding clinical performance throughout the year with the 2010 UDS Top Performer Award and the HealthSouth Award for Clinical Excellence. These results and awards show that providing quality health care is a top priority at the rehabilitation hospital.

Endowment Helps Provide the Highest Quality Provide of Care

The Rockford Memorial Development Foundation helps expand educational opportunities through the proceeds of various named endowments. In 2010, the Foundation was honored to receive a bequest of more than \$250,000 to create the Richard H. and Ruth C. Tower Endowment for Education. The investment growth from the endowment will be used to fund educational endeavors on an ongoing basis.



Fundraising Supports Surgical Services

Rockford Health System is the region's leader in surgery, and each year, the talented physicians on our medical staff perform more than 12,000 surgeries at Rockford Memorial Hospital. These surgeons and anesthesiologists are supported by more than 100 registered nurses, technicians and other staff who constitute our outstanding operating room team. Together, they use their skills to treat, heal, rebuild and repair our patients – ranging from tiny babies, children and teenagers to adults. The department's 13 surgical suites include special operating rooms for orthopedic, cardiac and the latest da Vinci robotic procedures.

To enhance those patients' experiences the Rockford Memorial Development Foundation raised money in 2010 for future renovations of the surgical area. The Foundation's black-tie Gala was held at the Coronado Theatre, where hundreds of people helped to support the Foundation's fundraising efforts.



Caring For People In A Down Economy



Every Saturday from 10 a.m. to 2 p.m. at the First Presbyterian Church, local doctors, nurses and staff from Rockford Health System volunteer their time to staff The Bridge Clinic of Rockford. The goal is to provide free basic medical care to unemployed and working adults who have medical needs, but have no insurance or are not able to afford care.

In 2010, The Bridge Clinic saw 501 patient visits (up from 394 in 2009); of which 268 were new patients. Eighteen patients were referred immediately to an emergency room and 11 were referred to local specialists who also donated their time.



Book Club Focuses on Health

Through the RHS VIP Employer Wellness Program, Rockford Health System partners with employers to proactively address the health and wellness of their employees and families. In 2010, the RHS VIP Program started a Wellness Book Club. The group reads health-related books and then has a Rockford Health System expert lead the group discussion.

Helping with Sharefest

Rockford Health System was a lead neighborhood partner for the 2010 Rockford Sharefest. The project completed school building renovations at West Middle School and Cherry Valley Elementary. Over nine days, Rockford Health System physicians, employees and volunteers joined others from 102 businesses, labor unions, churches and civic organizations in participating. West Middle School, just down the street from the Rockford Memorial Hospital campus, now has a beautiful new environment. Best of all, students have responded with a new sense of pride in their school, increased test scores and decreased discipline issues and vandalism.





Awarding Scholarships to Area Women

Rockford Health System and the Rockford Memorial Hospital Auxiliary presented six area minority women with scholarships to pursue careers in nursing. Each received \$2,000 to attend local colleges. The scholarships promote diversity in the local health care workforce. Nationally, 87 percent of all nurses are Caucasian, while only 4.9 percent are African-American and 2 percent are Hispanic.

Local Medical Director Receives Highest Honor

Scott Craig, M.D., Van Matre HealthSouth Rehabilitation Hospital's Medical Director, earned the prestigious honor of being named the HealthSouth Medical Director of the Year. The award recognizes Dr. Craig's outstanding clinical knowledge, exemplary performance in the development of quality clinical programs and overall excellence in leadership.



Da Vinci TV Ad Earns Clio Award

In 2010, the Rockford Health System Marketing and Public Relations Department won a Silver Clio Healthcare Award for its da Vinci "Origami" television ad. The Clios are considered the most prestigious awards in the advertising industry and recognize work from all over the world.



Rockford Health System Salutes Grace Scheider, Our 2010 Employee of the Year

Rockford Health System honored Grace Scheider, Quality Regulatory Nurse and Coding & Utilization Review Specialist for Visiting Nurses Association, as our 2010 Employee of the Year. Grace is an exemplary role model who demonstrates the Rockford Health System values of integrity, collaboration, adaptability, responsibility, excellence and compassion.

Grace has worked in many different roles at VNA over the last 21 years. She is an exceptional values-driven health care professional who does whatever it takes to get the job done.





Recognizing Our Quality Leaders

Each year, Rockford Health System selects two outstanding employees who excel in leading quality projects throughout our organization. Those two employees receive the Jack Packard Quality Champion Awards.

Patricia Ittmann, D.O., and Doreen Timm were the 2010 winners. Both are known throughout the organization as exceptional quality champions. As a highly skilled and compassionate neonatologist in our Level III Neonatal Intensive Care Unit, Dr. Ittmann has led the way in promoting national benchmarking and outstanding patient outcomes. As a clinical nurse specialist in Pediatrics and the Pediatric Intensive Care Unit, Doreen Timm is a patient advocate, resident expert on Joint Commission survey readiness and is constantly involved in continuous performance improvement. Both of these individuals are role models at Rockford Health System.

100 Years of Caring

The Visiting Nurses Association celebrated its 100th anniversary in 2010 with events recognizing the lives touched by the region's oldest home health care agency. What began with a small group of people forming a service to take care of a child with pneumonia in 1910 has grown into a comprehensive organization that serves more than 80,000 people each year with home health care; hospice; home medical equipment; infusion services; and older adult care. Employee celebrations were held throughout the year and the anniversary culminated with "Comedy the Best Medicine: A Dueling Pianos Event" fundraiser in November that grossed about \$28,000 to support VNA's mission.





NICU Celebrates 40 Years

Rockford Memorial Hospital's Neonatal Intensive Care Unit also hit a milestone in 2010. The unit celebrated its 40th anniversary of caring for the hospital's tiniest patients. From a small unit of just a few beds to a 46-bed unit that cares for more than 600 babies annually, the unit has seen tremendous growth throughout its history. The staff celebrated with a dinner event that recognized individuals from both the past and the present.

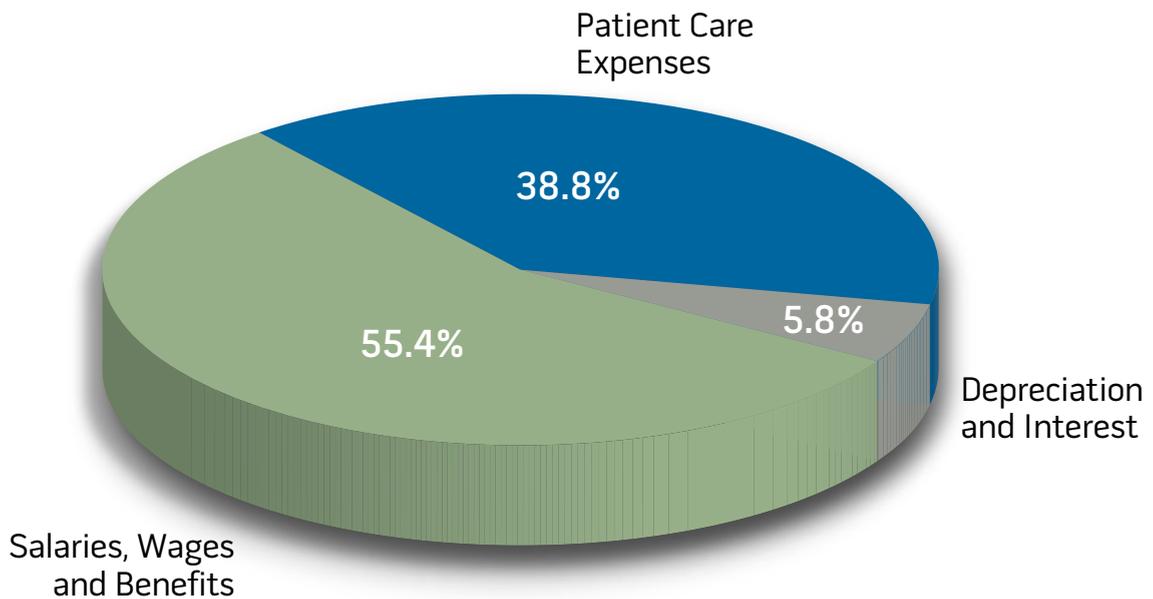
"2010 was a productive year at Rockford Health System. We saw positive signs that years of diligence and hard work by board members, leadership, physicians and employees are paying off for this organization. Quality and patient safety benchmarks, growth strategies and financial indicators all reflect significant progress."

Gary E. Kaatz,
President & CEO

Our Finances

Gross Revenues	\$1,003.3 million
Net Revenues.....	\$441 million
Total Assets	\$559.5 million
Payroll and Benefits	\$224.7 million

Our Operating Costs



Our Community Support

Community Support.....	\$55.8 million
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Rockford Health System is committed to treating all patients in immediate need of medical services regardless of their ability to pay. We also provide extensive outreach, education and health screenings to benefit the community. In 2010, Rockford Health System provided more than \$55.8 million in various forms of community support, including charity care, uncompensated care for the uninsured and underinsured, covering shortfalls in government funding, free health education classes, research and other outreach activities.

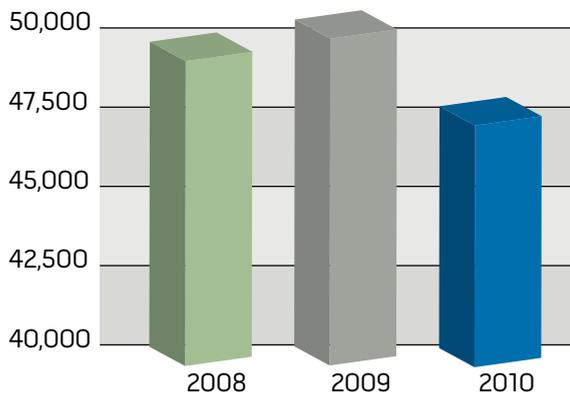
2010 Financial Review

Our Vital Statistics

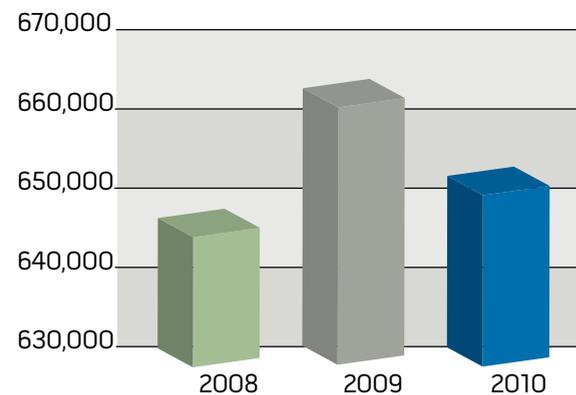
The Lives We Touched	1.2 million	Deliveries	1,667
Rockford Memorial Hospital		Employees	3,240
Outpatient Visits	392,342	Hospital Beds	396
Visiting Nurses Association		Medical Staff.....	446
Patient Encounters	86,742	Nursing staff.....	941
Rockford Memorial		REACT transports.....	598
Hospital Discharges	15,520		

Statistical Trends 2008-2010

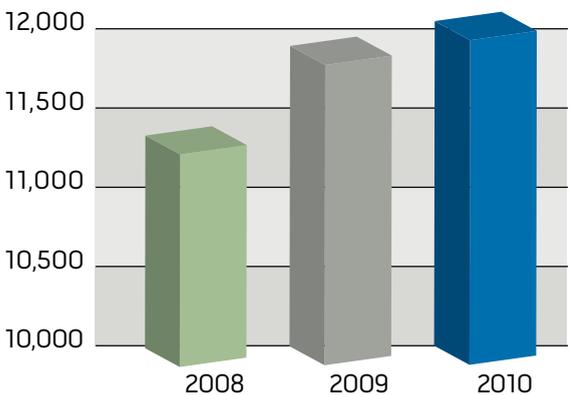
Emergency Department Visits



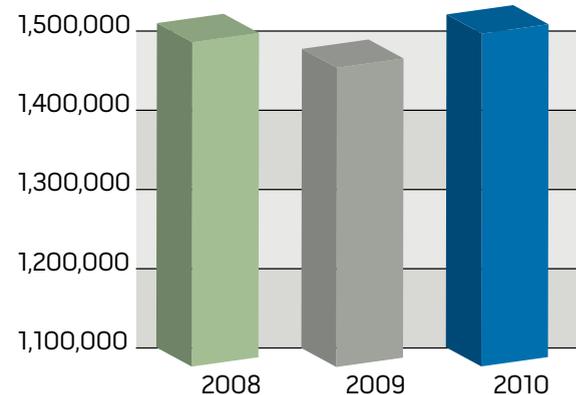
Rockford Health Physicians Patient Encounters



Surgeries



Lab Tests



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Superior care.
Every day.
For all
our patients.



Respectful Care

www.rockfordhealthsystem.org